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BEFORE THE ARIZONA CORPORATION COMMISSION

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ORIGINAL

REC'D CORP COMMISSION  
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Arizona Corporation Commission  
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PROPOSED RULEMAKING TO MODIFY  
THE RENEWABLE ENERGY STANDARD  
RULES IN ACCORDANCE WITH ACC  
DECISION NO. 74365.

Docket No. RE-00000C-14-0112

**RUCO's COMMENTS**

The Residential Utility Consumer Office "RUCO" submits the following comments in response to Staff's April 4th compliance filing to Decision No. 74365.

RUCO appreciates Staff's efforts to provide the Commission with a series of possible solutions; however, after review, RUCO believes that only one solution (option seven) offered by Staff has the potential to properly strike the correct balance between all the parties. Every other option either costs ratepayers' money, invalidates RECs, or presents additional complexities.

Nonetheless, RUCO believes that there are several policies the Commission can adopt that will balance the interests of all the parties while costing nothing to non-solar ratepayers. RUCO has four options for Commission consideration which RUCO believes will strike the right balance. In order of preference:

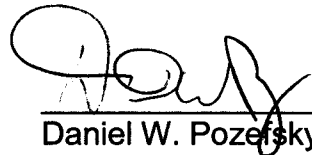
1. The ROO with Commissioner Pierce's Amendment Number One from the February 5<sup>th</sup> open meeting

2. "Track and monitor" based on capacity (See appendix)
3. Staff option number seven – if implemented carefully
4. "Back fill" policy – Those who want to keep their RECs pay a small fee, applied to the REST surcharge, so the utility has the resources to replace their RECs at no cost to other ratepayers.

RUCO is convinced that very few options strike a better balance than the ROO. Some of the options Staff presented could lead the Commission into making a tradeoff Arizona does not have to make or should make, rendering a sub optimal policy as the end result. It would be detrimental to ratepayers to sideline out of state investment. Worse yet, the businesses and households that did not take incentives (when offered) in order to hold on to their RECs for future sale will effectively get punished if the incorrect policy is chosen.

In conclusion, RUCO recommends any of the above four options to avoid a win-lose policy outcome. RUCO urges the Commission to adopt one of these policies.

RESPECTFULLY SUBMITTED this 21st day of April, 2014.

  
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# Appendix One

## ***Capacity based “Track and Monitor”***

*The intent of this policy is to permanently remove a specific year’s requirement that part of the REST be met with DG when tests show that the amount of DG capacity installed without incentives demonstrates market self-sufficiency.*

1. The central criteria for waiver justification and market measurement shall be the amount of capacity installed. This shall be compared to a market proxy - the requested year’s incremental REST requirement converted to capacity. The Commission can use other informative data associated with hosted DG systems that have retained RECs when determining the prudence of a waiver but for informational purposes only.
2. The waiver shall be applied to a one year period for which a full set of data (or near full set) has been collected. Going forward, data from multiple years can be combined and used to request a waiver for one specific year. Before filing a waiver, new DG activity regarding interconnected systems that have not exchanged RECs must be at least 90% of the relevant yearly incremental REST requirement (less any RECs the utility has the rights to or ownership of that are used for compliance).
  - a. For example: a utility could propose a waiver for 2014 in 2015 after all non-incentive systems have been accounted for and totaled. Additionally, if 2014 proved to have a weak install rate but 2015 was stronger, the Commission could take into consideration the combined market activity of the two years in order to justify a full year 2014 waiver.
  - b. Historically accrued under or over compliance has no bearing on this form of a waiver request. This waiver request only pertains to interconnected systems that have not exchanged RECs with the applicable Arizona utility.

### **Benefits of Policy:**

No added cost to ratepayers, market certainty, easily incorporated in the annual REST plans, and each stakeholder gets a win – utilities have their compliance obligations waived if the REST targets are met, ratepayers are off the hook and military, government, households, and private companies that invest in Arizona retain their RECs without infringement. The method and permanency of the waiver can be codified in REST Rules. No “winking or nodding” - waiver is

granted after it is ensured that the utility has met the REST Standard. Does not double count the REC or make a claim on the REC.<sup>1</sup>

**Example for APS service territory:**

Each REST implementation plan will contain a 5 year incremental capacity requirement based on forecast retail sales.

2015 implementation plan will be filed 7/1/2014 with annual REST DG requirements in MWH converted to incremental DG capacity MW requirements for 2015 - 2019. This will serve as the “market proxy”.

APS will continually track capacity of non-incented interconnection applications (IA’s) beginning 9/2013. When that tracked IA MW value equals the market proxy of a designated future year (for APS – 2017), that will trigger a permanent waiver of the future year’s incremental requirement.

Illustration: The APS 2014-2016 requirement is already met. 2017 calculated incremental DG capacity requirement is 40 MW (example only). Between 9/30/13 and end of year 2014, APS receives/tracks 40 MW of non-incented DG IA’s (15 MW from 2013 and 25 MW from 2014). This “triggers” a permanent waiver of the 2017 incremental DG requirement.

If APS receives/tracks more than 40 MW between 9/2013 and 12/31/2014, then the Company will “bank” the additional capacity from market activity for credit against the 2018 incremental DG capacity requirement.

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<sup>1</sup> Page 814 of the Ms. Martin’s testimony – Ms. Martin is the Executive Director of the Center for Resource Solutions. “My understanding of RUCO’s proposal is that the Commission adopt a methodology for assessing whether or not the behind-the-meter solar market is self-sustaining within the state and, if that determination is made, then the Commission would adopt a policy to reduce part or all of the DE carve-out within the RES. Based on that understanding, I would say that RUCO’s proposal would not create a threat of double counting.”

RUCO would note that correct implementation is absolutely crucial in order to not make a claim on the REC. The policy outlined above could be implemented in a way that invalidates RECs. Therefore, clarity and precision is needed when forming the rule change and implementing the policy in the years ahead.